

§ 457.163

and the occurrence deductible is \$25,000 ($.25 \times \$125,000 \times .80$). Your indemnity would be calculated as follows:

Step (1) Determine the under-report factor $\$100,000 \div \$125,000 = .80$;

Step (2) Field market value A minus field market value B $\$125,000 - \$80,000 = \$45,000$;

Step (3) The result of step (2) multiplied by the result of step (1) $\$45,000 \times .80 = \$36,000$;

Step (4) The result of step (3) minus the occurrence deductible $\$36,000 - \$25,000 = \$11,000$; and

Step (5) Result of step (4) multiplied by your share $\$11,000 \times 1.000 = \$11,000$ indemnity payment.

Peak Inventory Value Report Example

Assume you have a second loss on the same basic unit. Your amount of insurance has been reduced by subtracting your previous indemnity payment of \$11,000 from your amount of insurance ($\$75,000 - \$11,000 = \$64,000$). Your crop year deductible has been reduced to zero by the previous loss ($\$25,000 - \$36,000$, but not less than zero). You purchase a Peak Inventory Endorsement and report \$60,000 in inventory. Your peak amount of insurance is your reported inventory times your coverage level ($\$60,000 \times .75 = \$45,000$). The combined amount of insurance for the coverage term of the peak endorsement is $\$64,000 + \$45,000 = \$109,000$. Your crop year deductible is increased by \$15,000 ($\$60,000 \times .25$). At the time of loss, field market value A is \$124,000, and field market value B is \$58,000. The under-report factor is 1.00 ($[\$160,000 - \$36,000] \div \$124,000$). The crop year deductible is $\$15,000 (.25 \times \$60,000)$ and the occurrence deductible is \$15,000 (the lesser of field market value A $\times .25$ or the crop year deductible). Your indemnity would be calculated as follows:

Step (1) Determine the under-report factor $\$160,000 - \$36,000 \div \$124,000 = 1.00$;

Step (2) Field market value A minus field market value B $\$124,000 - \$58,000 = \$66,000$;

Step (3) The result of step (2) multiplied by the result of step (1) $\$66,000 \times 1.0 = \$66,000$;

Step (4) The result of step (3) minus the occurrence deductible $\$66,000 - \$15,000 = \$51,000$; and

Step (5) Result of step (4) multiplied by your share $\$51,000 \times 1.000 = \$51,000$ indemnity payment.

Your peak amount of insurance is reduced to zero. Your amount of insurance is reduced by the amount the indemnity exceeds the peak amount of insurance. $\$64,000 - (\$51,000 - 45,000) = \$64,000 - \$6,000 = \$58,000$.

[63 FR 50975, Sept. 24, 1998; 63 FR 57046, Oct. 26, 1998, as amended at 70 FR 37241, June 28, 2005]

EFFECTIVE DATE NOTE: At 71 FR 74456, Dec. 12, 2006, § 457.162 was amended by revising the definition of "liners" in section 1, effective Jan. 11, 2007. For the convenience of the user, the revised text is set forth as follows:

7 CFR Ch. IV (1-1-07 Edition)

§ 457.162 Nursery crop insurance provisions.

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1. Definitions.

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Liners. Plants produced in standard nursery containers that are equal to or greater than 1 inch in diameter (including trays containing 200 or fewer individual cells, unless specifically provided by the Special Provisions) but less than 3 inches in diameter at the widest point of the container or cell interior, have an established root system, and meet all other conditions specified in the Special Provisions.

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§ 457.163 Nursery peak inventory endorsement.

Nursery Crop Insurance

Peak Inventory Endorsement

This endorsement is not continuous and must be purchased for each crop year to be effective for that crop year.

In return for payment of premium for the coverage contained herein, this endorsement will be attached to and made part of the Nursery Crop Insurance Provisions, subject to the terms and conditions described herein.

1. Definitions

Coverage commencement date. The later of the date you declare as the beginning of the coverage or 30 days after a properly completed Peak Inventory Value Report is received by us.

Coverage term. A period of time that begins on the coverage commencement date and ends on the coverage termination date.

Coverage termination date. The date you declare that the peak amount of insurance will cease. This date cannot be after the end of the crop year.

Peak amount of insurance. The additional inventory value reported on the Peak Inventory Value Report for each basic unit multiplied by your coverage level and by your share.

Peak Inventory Value Report. A report that increases the value of insurable plants over the value reported on the PIVR, declares the coverage commencement and coverage termination dates, and the other requirements of section 6 of the Nursery Crop Insurance Provisions.

Peak inventory premium adjustment factor. A factor calculated by subtracting the monthly proration factor for the month following the

month containing the coverage termination date from the proration factor for the month in which coverage commenced. Peak Inventory Endorsements with a coverage termination date during the month of May will have a premium adjustment factor equal to the proration factor for the month containing the coverage commencement date.

Restock. Replacement of lost or damaged plants that increase the value of your insurable inventory to an amount greater than your remaining amount of insurance.

2. Eligibility

(a) You must have insurance under the Nursery Crop Insurance Provision in effect for the crop year that this endorsement applies;

(b) You must have elected an additional level of coverage.

(c) You must submit a Peak Inventory Value Report, which will serve as the application for coverage under this endorsement.

(1) The Peak Inventory Value Report may contain one or more plant type basic units and each plant type basic unit will be considered a separate Peak Inventory Endorsement.

(2) We may reject the Peak Inventory Value Report if all requirements in this endorsement and the Nursery Crop Insurance Provisions are not met.

(d) You may purchase no more than one Peak Inventory Endorsement for each basic unit during the crop year unless you have suffered insured losses and have restocked your nursery, in which case an additional Peak Inventory Endorsement may be purchased after each insured loss.

3. Coverage

(a) The amount of insurance provided under the Nursery Crop Provisions for each basic unit is increased by the peak amount of insurance for such unit for the coverage term.

(b) Except as provided herein, this endorsement does not change, amend or otherwise modify any other provision of your Nursery Crop Insurance Policy.

4. PEAK INSURANCE PERIOD

Coverage begins on the coverage commencement date and ends at 11:59 p.m. on the coverage termination date.

5. Premium

(a) The premium for this endorsement is determined by multiplying the peak amount of insurance by the appropriate premium rate and by the peak inventory premium adjustment factor.

Example of Peak Inventory Endorsement Total Premium Calculation

Assume a grower reports a peak amount of insurance on a basic unit of \$100,000 with a 65 percent coverage level and a share of 1.000. The base premium rate is \$0.051. The proration factors for the Peak Inventory Endorsement are 0.68 for the month that coverage commenced and 0.52 for the month following the month containing the coverage termination date, as stated in the actuarial documents. The peak premium adjustment factor is 0.16 (0.68 – 0.52). The total premium amount for the Peak Inventory Endorsement is \$530.40 ($\$100,000 \times 0.65 \times 1.000 \times \0.051×0.16).

(b) The premium for this endorsement is due and payable in accordance with section 7 of the Nursery Crop Insurance Provisions.

6. Reporting Requirements

In addition to the reporting requirements of section 6 of the Nursery Crop Insurance Provisions, you must submit a Peak Inventory Value Report on our form.

7. Liability Limit

The peak amount of insurance is limited to 200 percent of the basic unit value you declare under the Nursery Crop Insurance Provisions.

[63 FR 50979, Sept. 24, 1998; 63 FR 57047, Oct. 26, 1998, as amended at 70 FR 36246, June 28, 2005]

EFFECTIVE DATE NOTE: At 71 FR 74456, Dec. 12, 2006, § 457.163 was amended by revising paragraph 7, effective Jan. 11, 2007. For the convenience of the user, the revised text is set forth as follows:

§ 457.163 Nursery peak inventory endorsement.

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7. Liability Limit.

The peak amount of insurance is limited to 200 percent of the amount of insurance established under the Nursery Crop Insurance Provisions.

§ 457.164 Nursery rehabilitation endorsement.

NURSERY CROP INSURANCE REHABILITATION ENDORSEMENT

If you elect this endorsement and pay the additional premium designated in the actuarial documents, this endorsement is attached to and made a part of your Nursery Crop Insurance Provisions subject to the terms and conditions herein. In the event of a conflict between the Nursery Crop Insurance